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Europeanization in Aid for trade - The case study of EU aid for trade to Vietnam

Nguyen Trinh Thanh Nguyen

My paper gives an explanation of the term Europeanization in aid for trade in which EU Aid for Trade norms and policies may influence among EU member states with significant variation in both the depth and speed level. It provides a specific analysis of Europeanization AfT by using the results of AfT from three EU member states to Vietnam in order to indicate the common values of aid projects and different aid allocation among these countries to Vietnam. In addition, this paper provides an overview of EU AfT policies and strategy from 2006 to 2020 as well as some main achievements in recent years. My finding is that EU AfT can interfere as “soft law” to EU member states. EU institutions give a common strategy in aid for trade to support its members to build their own aid for trade policies. EU also had some common funds in AfT to ask the contribution of EU member states. In the case of AfT to Vietnam, three EU member states follow their own interests and purposes in providing aid projects/programs. However, they involve the common values of aid policies of the EU in some manners.

Keywords: Aid for trade, trade related assistance; Europeanization; EU-Vietnam free trade agreement (EVFTA)

1. Introduction

This study on Europeanization in Aid for Trade (AfT) introduces the structure of EU AfT policies and practices, which can influence the relative convergence and divergence of EU member states. Europeanization in AfT can be indicated by the impact of socialization and capacity of member states. There is significant variation in both the depth and speed of adapting EU AfT norms among EU member states, especially between old and new member states, with recipient countries.

The case study of EU aid for trade with Vietnam provides a specific analysis of Europeanization AfT, presenting the changing of EU AfT policy and a controversial debate on the impact of EU AfT on this recipient. Consequently, this paper raises two core research questions:

1. How can “Europeanization in Aid for Trade” influence its member states?
2. What Aid for Trade activities did the EU and EU member states support with regard to Vietnam?

The first part of this paper employs the literature to explain the major definitions of Europeanization in official development assistance, and to present the concept of

Europeanization in aid for trade. It also presents some notable achievements of EU aid for trade. Following this, the study examines *recent EU aid for trade activities in Vietnam*, pointing out that a large part of EU aid for trade focuses on the support of the EU-Vietnam Free Trade Agreement (EVFTA), which may *show the convergence of EU aid for trade* in the case of this recipient. This paper describes the connections of the EU aid for trade programs in Vietnam and the milestones of the EVFTA negotiation process, which include the matching of EU aid for trade policies/activities/results and the successful rounds of bargaining leading to the EVFTA. However, the divergence of EU member states in aid for trade to Vietnam can also be identified in three specific member states (Hungary, Germany and France) which are used as typical examples for the new/old member states, and for historical relations (colonial powers and countries without colonies) with Vietnam. France is one of the biggest donors to Vietnam, and provided most of its aid as concessional loans to improve Vietnamese infrastructure, while Germany channeled its aid to expand Vietnamese energy capacity. Hungarian aid concentrated on training sectors to support Vietnamese human resources.

The paper is based on desk-based research and a comparative methodology. Both primary and secondary sources were consulted, providing the context and the insight that there is no accurate, up-to-date database of EU aid for trade in general, or in the case of EU aid for trade to Vietnam. In the first instance, EU, Vietnamese and international publications in the field were used to determine the elements and content of Europeanization in aid for trade and EU aid for trade to Vietnam. The next step of this study was thus to create a summary of EU aid for trade policy/strategy, together with the relevant developments and achievements from 2007 to 2013, and the prospects for the ensuing period (from 2014 to 2020). The paper is descriptive of EU aid for trade in this respect. The data and the previous empirical results were collected and extracted from several databases of Eurostat, the IMF, WB, Ministry of Investment and Trade, MUTRAP¹ and other data in journals and online services.

2. Literature review of Europeanization in aid for trade

2.1. An overview of EU aid for trade

Aid for Trade (AfT) is the generic concept describing development assistance provided in support of partner countries' efforts to develop their capacity to expand trade, to foster economic growth and to more effectively use trade for poverty reduction. AfT is financial assistance composed of ODA grants, loans and equity, specifically targeted at helping developing countries to develop their capacity to trade.

¹ In 1998, the EU started to support trade assistance to Vietnam by means of the Multilateral Trade Assistance Project (MUTRAP), which is divided into four phases by four specific projects from MUTRAP I to EU-MUTRAP (lasting until 2018).

AfT entered the WTO agenda with the Doha Development Round in 2005, in which several donors, including the EU and its Member States, made commitments to increase their trade-related support to developing countries. AfT has a broad scope, encompassing both aid directly helping beneficiaries formulate and implement trade policies and practice (“Trade Related Assistance”), and aid supporting developing beneficiaries’ wider economic capacity to trade, such as through investments in infrastructure and productive sectors (“wider AfT”). The OECD has specified five main groups of activities that it considered to constitute Aid for Trade: Trade policy and Regulation (category 1), Building Productive Capacity (category 2: a subset of category 4 having a Trade Development marker), Trade Related Infrastructure (category 3) and Trade Related Adjustment (category 5). A 6th category, Other Trade Related Needs, is specifically used to account for AfT that is embedded in broader multi-sector programs, and that would otherwise not be considered by the five other categories. The EU institutions and the EU member states together provide over 50% of the world’s official development assistance (OECD 2012), resulting in the EU also being the largest provider of AfT. AfT is one of the key pillars of EU development policy and includes assistance in building new infrastructure, improving ports and customs facilities and assistance in helping factories meet European health and safety standards for imports, for example. Indeed, EU AfT is based on external documents (WTO-Doha Agenda; MDGs; Paris Declaration-Aid effectiveness principles) and the EU common policy on AfT (EU AfT Strategy) guides the design of AfT programs and the implementation of their measures. The EU and its member states have a Joint Strategy on Aid for Trade from 2007 which includes the following key goals:

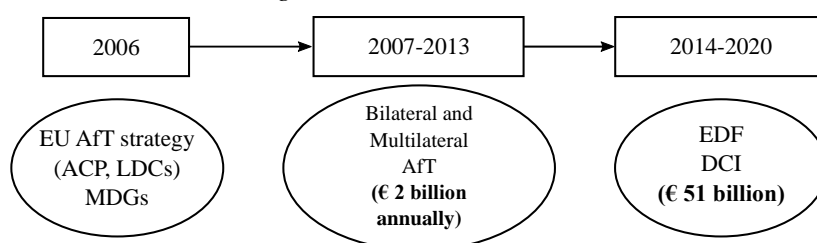
- Implement the commitment by EU member states and European Commission to collectively spend €2 billion annually on Trade-Related Assistance (€1 billion from EU common fund and €1 billion from EU member states).
- Enhance the pro-poor focus and the quality of EU Aid for Trade.
- Build upon, foster and support regional integration processes through Aid for Trade, including Africa, Caribbean and Pacific (ACP) countries.
- Increase EU-wide and member state capacity, in line with the globally agreed aid effectiveness principles.
- Support effective Aid for Trade monitoring and reporting.

EU AfT is financed through different instruments for different recipients, as summarized in Figure 1. As shown in Figure 1, the available EU AfT funds are divided into:

- EDF: the European Development Fund (Funding to African, Caribbean and Pacific countries during the period of 2008 to 2013, totaling €22.682 million).

- DCI: the Development Cooperation Instrument (Funding to Latin America and Asia including Central Asia for the 2007 to 2013 period, totaling €16.897 billion).
- ENPI: the European Neighborhood Policy Instrument (Funding to neighboring countries and Russia from 2007 to 2013 totaling €11.181 billion).
- IPA: Pre-accession instrument (funding to the Balkans and Turkey during 2007 to 2013 totaling €11.468 billion).

Figure 1 Process of EU AfT



Source: own construction based on European Commission (2014a, 2016)

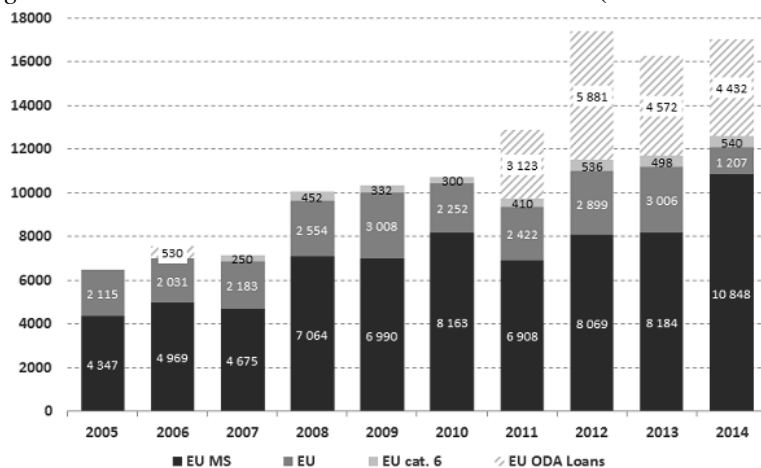
According to the EU Aid for Trade Report (European Commission 2016), the EU collectively increased AfT in 2014 by 8% to reach €12.7 billion. The strong increase in EU member state commitments (+33% in one year only) compensated for the large drop in the contribution of EU institutions (-50%), due to a delayed entry into force of the new European Development Fund (EDF) regulation. Among the six AfT categories, two represent more than 93% of the total EU AfT commitments: trade related infrastructure and building productive capacity. The largest category remained “trade related infrastructure”, with € 6 billion of commitments in 2014 (47% of total EU collective AfT). However, the fact is that, since 2007, more than 70% of EU collective commitments have been provided by the EU institutions, Germany and France. With 34% of the total, Africa continued to receive the largest share of EU AfT in 2014, followed by Europe (23%), Asia (21%) and America (11%). In 2016, the EU and its member states started to revise their Joint Strategy on Aid for trade, dating back to 2007. In addition, in recent years, EU AfT also reflected the rolling out of recent EU Trade Agreements and updated Trade Preferences schemes with developing countries and regions.

2.2. Europeanization in aid for trade

The concept of Europeanization has been extensively used in the literature to explain why EU member states and candidate countries adopt or fail to adopt certain political provisions or policy level regulations, norms or “ways of doing things” advocated by the EU. The study of Europeanization was largely confined to the impact of European

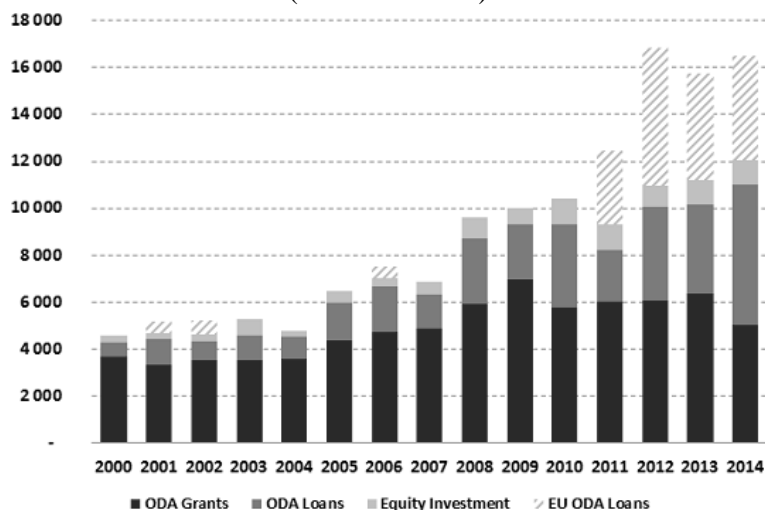
integration and the governance on the member states of the EU, and the role of the EU in international relations (Schimmelfennig 2015). It means that Europeanization can influence regional and international fields on many levels. The scholars (Radealli, Wong, Sedemeier, Schimmelfennig, etc.) are certainly justified in assuming that EU organizations, policies and decisions have a relevant domestic impact on member states, states that participate in the internal market and on candidate states that must

Figure 2 Aid for Trade – EU and EU member states (in EUR million)



Source: European Commission (2016, p. 10)

Figure 3 Aid for Trade by type of Flow – EU and EU member states (in EUR million)



Source: European Commission (2016, p.18)

adopt the *acquis communautaire* to qualify for membership. The definition of Europeanization is: “a process of incorporation in the logic of domestic discourse, political structures and public policies of formal and informal rules, procedures, policy paradigms, styles, “ways of doing things”, and shared beliefs and norms that are first defined in the EU policy processes’ (Radaelli 2003 and Moumoutzis 2011). In addition, there is another approach of understanding and explaining the term of Europeanization which is related to bottom-up Europeanization, i.e. EU member states attempting to upload their policy agendas to the EU level (in the role of leading countries in the EU and in certain other specific cases).

Wong (2007) extended the model of Europeanization to three dimensions. Wong’s concept included the top-down dimension which enables national institutions to react and adapt to the demands of the EU as the “downloading” direction. The second dimension was the bottom-up process (“uploading”) used by EU member states to project their national preferences and ideas into policies created at the level of the EU. The third dimension is the process of subsequent identity reconstruction and its convergence around a shared notion of common EU identity and interest (known as “cross-loading”).

The two main mechanisms for explaining this process of rule adoption are conditionality (based on rationalist institutionalism) and socialization (based on constructivist institutionalism) (Schimmelfennig–Sedelmeier 2005; Juncos 2011). Some other scholars (Radelli 2004; Borzel 2010) have developed ‘the governance and policy modes’ which are applied by European institutions as alternative mechanisms of Europeanization. They distinguish between governance by (1) hierarchy (2) coercion/compliance, (3) competition, and (4) cooperation-communication.

According to Orbie and Carbone (2016), numerous theoretical, methodological and empirical studies have been published on the issues of Europeanization, but the terms of Europeanization in development policy have largely been overlooked. The exceptions mostly concern articles focusing on countries in Central and Eastern Europe in the context of their accession and post-accession process. Particularly, Zemanová (2012) presented a comprehensive historical analysis of Europeanization in official development assistance (ODA) which showed the regulations and structures of the EU in ODA from the beginning to the updated documents. The author concluded that the Europeanization of development assistance occurs solely within the cooperation governance model, while the domestic change is achieved by adaptation mechanisms differing from those usually observed within other policy areas. However, there are many modalities hidden within the term, from communication and soft cooperation without any legal basis, to open coordination depending on the primary law and a multitude of secondary (legally non-binding) documents in the field of ODA. The evolution of the mode seems to be the interplay between EU member states and the community bodies, especially the EC. Lightfoot and Szent-Iványi (2015) investigated the Europeanization of international

development policies of four EU new member states (Hungary, Czech Republic, Poland and Slovakia) that have been “reluctant to adopt” the EU’s development acquis. The paper concludes that the four new member states (NMS) seem less than fully engaged in integrating the EU’s development acquis, and that these rules seem to have a low level of resonance with national beliefs on ODA policy. The lack of conditionality or material incentives can only partly explain the feeling that NMS are “reluctant donors”. Due to lower capacities and lower interest in development policy, NMS are rather passive in making the development acquis. Consequently, the acquis in the field of EU ODA belongs to the “soft law” area, which may be expected to be light and limited to superficial absorption (Ladrech 2010).

Brazys and Lightfoot (2016) were the first to examine the emergence of the AfT norm using a Europeanization framework. The study demonstrated that the EU has uploaded AfT norms into multilateral processes rather than downloading and then disseminating them across the Union. The authors concentrated on three EU member states (Czech Republic, Germany and Ireland), showing the degree to which they have responded to the agenda promoted by the EU (through EU AfT monitoring reports, national AfT strategy...). They find considerable variation, ranging from absorption to transformation, which they see as a function of different levels of capacity and socialization: countries with lower levels of capacity and less prone to socialization effects experience shallower and less transformative Europeanization. Moreover, the capacity appears as a more influential explanatory factor in the depth of Europeanization while socialization may promote a speedier process of adaptation. Udvari (2014) evaluated the relations of aid and trade among EU old or new member states with recipient countries. The results of the gravity model indicate that the EU-15 (old members) is a more attractive market to ACP countries than the new member states: AfT provided to ACP countries has a positive influence on their exports to the EU-15, while it has no significant impact on trade with the new member states.

It can be seen that the main thrust of research on EU Aid for trade relates to the impact of EU aid for trade on recipient countries, or in the own interest of the EU as an approach to new markets, improving the quality of products, tied trade, alliances, etc. (Turner et al. 2012, Udvari 2014, Gerwan et al. 2016). These analyses and evaluations include approaches focusing on the global level as well as case studies which include theoretical and empirical contents. However, there are few studies using the concept of Europeanization to explain developments in the field of AfT.

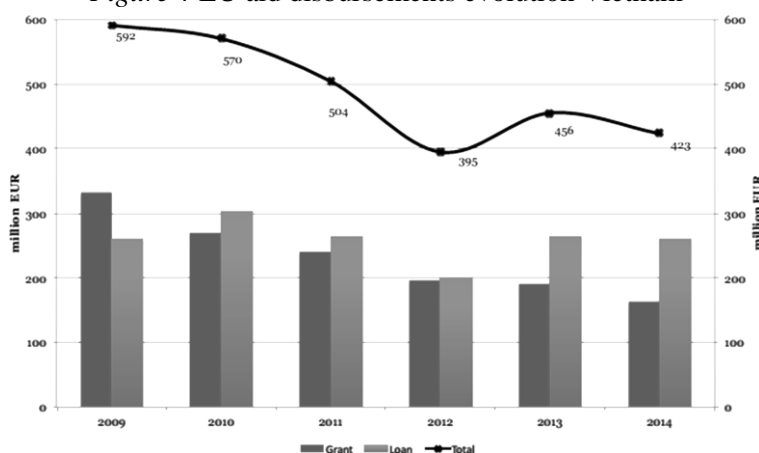
3. EU aid for trade to Vietnam

The EU, together with its member states, is currently the biggest donor of ODA in Vietnam. Historically, EU development aid to Vietnam has focused on poverty reduction and social issues. In 1990s, Vietnam was a weak developing economy with limited capacity for growth and internalization. Vietnamese people lived under income poverty, and hunger affected over 50% of the population in 1993. Hence, EU

ODA given to Vietnam focused on improving people's living standards. Besides these fields, the focus was also on political relations. However, after one decade of implementing a reform process, in the 2000s Vietnam experienced strong economic growth, with an annual increase in GDP of around 10%, and this has led the EU to reconsider its priorities regarding its relations with Vietnam. The focus is now more on aid for economic growth in Vietnam, leading to improved trade relations for both sides.

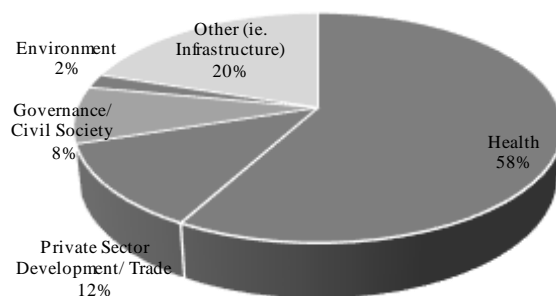
EU AfT is still an important capital resource for enhancing Vietnam's capacity for trade growth and integration into global trade. This is where the successful results in the case of AfT from EU to Vietnam have occurred, and both sides continue to aim for the tightening of their close trade relations. The EU has chosen AfT as one of the main types of ODA for economic development in Vietnam. Besides the good results of EU aid for trade in Vietnam, there are still several obstacles and challenges

Figure 4 EU aid disbursements evolution Vietnam



Source: European Commission (2015, p. 25)

Figure 5 Distribution of EU ODA in Vietnam by sector in 2014

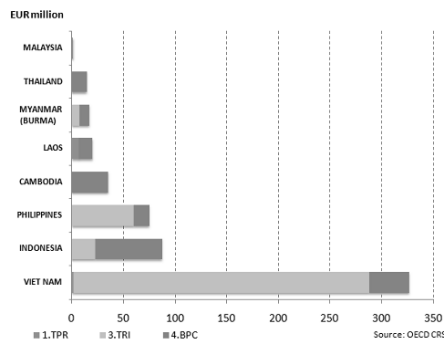


Source: European Commission (2015, p. 9)

remaining in this field, such as the long time of preparation of aid projects with the participation of several partners, which leads to increased total costs of projects and reduces the effective results. Furthermore, Vietnam and the EU have some differences in legal documents and statistical methods used in the process of conducting aid projects, from their design to evaluating the goals and achievements in each project. Consequently, both sides have had to deal with misunderstandings and confusion in implementing their aid projects. In the long run, there is no evidence of punishment or sanction from the EU if a project did not reach its stated aims. In fact, there is little research or official reporting which evaluate the influence of EU aid for trade on Vietnam which might provide recommendations on improving the effectiveness of aid allocation or in absorbing aid by actors.

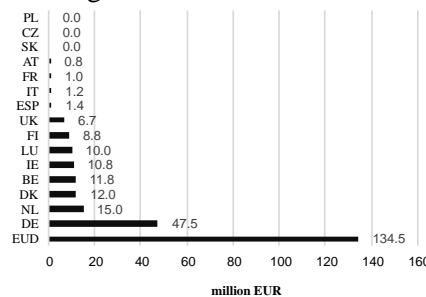
Total EU aid to Vietnam in the period 2007-201 was over €4 billion with a slightly downward trend. In the early part of this period, ODA grants were significantly higher than ODA loans from the EU, but by the end of this period, loans started to dominate. This change can be explained by recent achievements of the Vietnamese economy,

Figure 6 EU aid for trade to Vietnam by category in 2014



Source: European Commission (2016, p. 83)

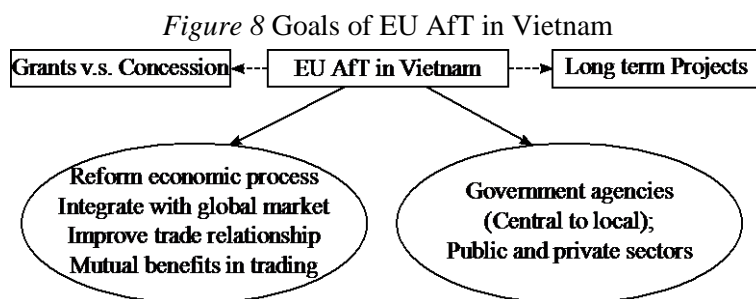
Figure 7 EU grant commitment in Vietnam, 2015



Source: European Commission (2016, p. 83)

Vietnam reaching the threshold for a low-middle income country; and the influence of the financial crisis on the EU.

In the new Vietnam development plan (2014-2020), the EU and EU member states confirmed that development aid will continue to the sectors where Vietnam is seeking progressive reforms, in order to maximize the impact of the relevant government policies. Hence, EU aid aims to contribute to Vietnam reaching its overall objective of inclusive and sustainable growth, and integration into the world economy. The goals of EU AfT in Vietnam are presented in Figure 8.



Source: EU-MUTRAP report (2016)

Recently, the EU and Vietnam negotiated and signed a bilateral agreement for free trade (EVFTA). The goals of this agreement are creating a stable and predictable entrepreneurial environment, which in turn promotes growth and employment. It has the potential to expand trade relations and investment by means of trade liberalization and better market access and by improving the business environment. The EVFTA negotiation achievements are to a large extent the results of the successful EU aid for trade projects to Vietnam. The central part of EU AfT to Vietnam is the Multilateral Trade Assistance Project (MUTRAP), which is the longest running and largest trade-related development project in the country. As the biggest contributor of trade-related assistance, since 1998, the EU has provided Vietnam with over €50 million over the four phases of MUTRAP.

The fourth phase of the MUTRAP project would help Vietnam further integrate into the global trade system and boost trade and investment ties between Vietnam and the EU, which has pledged €16.5 million of support for the period of 2012 to 2018. It is called the “European Trade policy and Investment support Project” or EU-MUTRAP. The EU will provide non-refundable aid worth 15 million euros in this period. Recently, much of the financial support for policy reform has focused on trade-related capacity building such as EVFTA negotiating capacity, EVFTA negotiation process and customs procedures. Especially improvements in regulatory quality appear to have played their intended role in the allocation of EU aid for trade, together with the improvement of the business environment.

EU-MUTRAP has committed an even larger portion of funding to aiding the preparation, negotiating and implementation of EVFTA. The EU and Vietnam launched EVFTA negotiations in June 2012. There were 14 rounds to the negotiating process before this bilateral trade agreement was signed in January 2016. The EU and Vietnam plan to implement EVFTA in early 2018 with high hopes of creating mutual benefits for both sides. Admittedly, through EU-MUTRAP, the EU supports Vietnam while extending market access for European exporters and investors, however average tariffs have fallen substantially, all thanks to the EVFTA negotiations process.

The key purpose of MUTRAP is to continue to assist Vietnam in the implementation of trade commitments which specifically focus on EVFTA. The project activities focus on the terms of building and enhancing Vietnamese capacities such as: human resources, materials, technical assistance and support agencies who will take on responsibilities in EVFTA negotiations. This project provides support for many trade-related actors from Vietnam government agencies to business associations; trade experts in universities and research institutions as well as private sectors. The main activities include teaching and transferring EVFTA-specific knowledge; and/or conducting surveys and research on facilitating Vietnamese trade and informing those in the field about the benefits of EVFTA. The activities of the project will be continuously updated as the project progresses.

In the mid-term evaluation of EU-MUTRAP, there were 20 reports, 20 publications were issued and over 130 conferences on related issues under the project were organized. According to this evaluation, the most outstanding result of the project is the improved policy framework for trade and investment in Vietnam, reflected through a series of reports supporting the construction of legal documents under the Vietnam Ministry of Industry and Trade (MOIT) and other related ministries, as well as strengthened trade co-operation between Vietnam and the EU and other partners to support the country in international integration, including integration within ASEAN. The EU-MUTRAP has also deployed six sub-projects directly financed by the European Commission. In 2014, EU-MUTRAP supported a research called “Sustainable impact assessment EU-Vietnam FTA”. The research included general data on EU and Vietnamese trade to show the role of the EU market for Vietnam and vice versa. The ensuing results were the major impacts on EU and Vietnam trade sectors such as footwear, high-tech, automotive etc. following from the measures included in particular articles of EVFTA. They predict the impacts of EVFTA on trade for both sides and the potential benefits of implementing EVFTA, even recommending strategies for handling obstacles in the EVFTA process. Among the project’s achievements were the listing of white asbestos on the list of banned substances under the Rotterdam Convention, Phu Quoc fish sauce being recognized as an appellation of origin product in Europe, and contributions to trade-related capacity building through research and seminars. Another example of EU-MUTRAP support is the “Vietnam Supporting Industries to EU” implemented by the Supporting

Industry Enterprises Development Centre (SIDECE) in conjunction with other development organizations. This project seeks to enhance capacity among local small and medium-sized enterprises (SMEs) in the “supporting industries”, which include components and parts manufacturers, in complying with European market access requirements. Some of the activities include organizing training courses to enhance SME capacities, organizing activities to connect Vietnamese and EU businesses and supporting their participation at trade fairs and exhibitions in Vietnam and the EU. Since 2014, a quarterly EU-MUTRAP Newsletter has been published to present the studies and developments in EU and Vietnamese trade, many of which are related to EVFTA issues. The quarterly Newsletter summarizes recent specific EU-MUTRAP activities and introduces the activities for the following quarter. It is one of the most important and useful publications providing information on EVFTA.

EU-MUTRAP is therefore working on a number of issues to improve local SME potential, such as branding and marketing strategies, distribution and market access strategies, as well as information networks across the country to create enhanced export-focused trade sectors. A highlight of the project is the technical assistance extended to improve the local investment environment, focusing on environmental and social issues in trade and investment-related policies and legislation.

By the end of the project’s lifetime, both Vietnam and the EU can expect significant results, including the strengthening of EU-Vietnamese trade and investment relations, the improvement of the investment policy framework, and greater access to information, regulations, and market opportunities in relation to Vietnam’s international trade and investment commitments being enhanced.

Following the priorities of EU trade policies towards Vietnam, the EU uses aid for trade projects to support and to change the context of Vietnamese trade, as shown by the EU-MUTRAP and EFVTA.

During the EVFTA negotiation process, EU-MUTRAP supported many related activities to inform EVFTA discussions, promote EVFTA rounds and to reach conclusions. Obviously, these activities exerted influence on the achievements of the EVFTA process. Nevertheless, enhancing Vietnam trade capacity can be seen as an undirected method of influencing EVFTA by EU-MUTRAP. EU-MUTRAP implemented the effective methods of decentralized aid project management and coordination mechanisms, making use of local experts, cost cutting, evaluation reports, and research and publications that can attract diverse actors from both sides to jointly monitor EU-MUTRAP in the field as it supports the EFVTA process. Combining with EVFTA, “EU-MUTRAP” provides the foundation for the imminent EVFTA. The effective method of delivering EU aid in the EU-MUTRAP project is enhancing human resources in Vietnam, especially those involved in the realm of trade and trade policy.

However, weaknesses in the links between EU-MUTRAP and the EVFTA process include the lack of funding and supervision for sub-projects, and weak

exchanges of information between stakeholders. Both sides may focus on tightening criteria for the selection of project beneficiaries, strengthening activities in the business community and improving the diversification of implementation methods. The project could include the more directed substance of EVFTA in its activities, while supporting the business sector in preparing for the impact of the FTA between Vietnam and the EU.

4. Comparative AfT progress of three EU members states to Vietnam

4.1. Hungarian ODA to Vietnam

Vietnam and Hungary established diplomatic ties in 1950. The two countries have been maintaining traditional friendship-based cooperation ever since. After Hungary's institutional transition, in the early 1990s, relations between the two countries saw little development. Since 1992, this relationship has been gradually improving. Vietnam is one of the main Hungarian development cooperation partners. It is a reference country for the European Union's (EU) development activities regarding policy harmonization and implementation, and is also a pilot country for the "One-EU" initiative. From 2010 to 2014, Hungary's ODA to Vietnam focused on cooperation in the field of health care and the field of education and training. Although there were no AfT projects between Hungary and Vietnam in the last project term turning to the new period (2014–2020), Hungary ODA aims to use most of its ODA to fund enhancing trade relations with this recipient.

Since 2003, Hungary has considered Vietnam one of the strategic partners in its ODA policy. In 2005, the two sides signed a framework agreement on cooperation and development to confirm common principles for supplying and receiving Hungary's ODA to Vietnam. Hungary had an ODA country strategy for Vietnam (CSP) which was drafted for 2008–2010. The International Development Cooperation Strategy and Strategic Concept for International Humanitarian Aid of Hungary for the period 2014–2020 affirm that: "Hungary attaches special importance to its ties with Vietnam and is willing to support the country in its development". Hungary considers Vietnam an important partner in the South East Asian region, not only in the past or the present, but also in the future. Currently, projects worth €35 million (US\$49 million) are under preparation for water supplies and sewage treatment in three Vietnamese provinces. Another project will assume the form of Hungarian assistance in carrying out population registration. In the future, the two sides may assess the possibility of expanding the scope of this type of ODA assistance to the health sector by using Hungarian expertise in constructing and equipping a hospital. The Hungarian Government recently approved the provision of official development assistance (ODA) for the Can Tho tumor hospital project and the Red River clean water supply project, scheduled to commence in 2016, which the Hungarian government promises to fund with around €60 million.

Table 1 Hungary ODA disbursements 2007–2014 to Vietnam (in million €)

	2009	2010	2011	2012	2013	2014
Grants	0.1	0.1	0.1	0	0	na
Loans	0	0	0	10	10	na
Total	0.1	0.1	0.1	10	10	-
% Grants	100	100	100	0	0	-

Source: The Blue Book (2014, 2015, p. 47)

Hungarian ODA to Vietnam is usually included in the list of diplomatic activities which is offered as proof of the commitment of the Hungarian government when official visits are paid to Vietnam. Hence, there is a gap or delay in the implementation of the pledges. The Hungarian embassy in Vietnam takes the role of Hungary delegate in its ODA programs to this recipient. Recently, the change in bilateral development cooperation with Vietnam can be seen in the larger amount of ODA in each project and grant being replaced by tied aid, credit or concession loans. Both sides need to set up a general process or model in macro level (government agencies) that can give a framework for the management, evaluation and monitoring of their development cooperation projects, so that Hungary can ensure repayment by Vietnam of its relief loans. In the new project term, Hungarian aid to Vietnam concerns itself much more with economic benefits than the priorities of selecting ODA projects that constitute aid for trade, in helping both Hungary and Vietnam to expand their markets and obtain benefits from their mutual trade.

4.2. German ODA to Vietnam

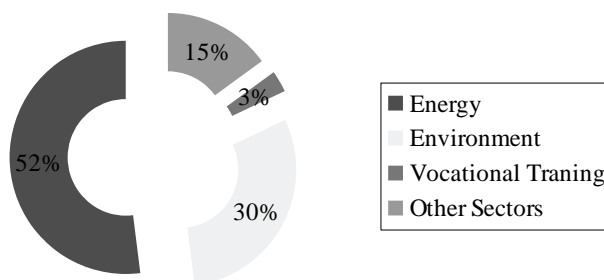
Germany is Vietnam's third largest bilateral aid donor (behind Japan and France). The development cooperation focuses on the priority areas of vocational training, energy and the environment (see Figure 9), which is invariably fostered by Vietnam's Green Growth Strategy. German aid to Vietnam contributes to increasing the supply of sustainable energy as one of the core tools for improving economic infrastructure and industrialization. The two countries are also working together to ensure that Vietnam has a well-trained workforce. Specifically, they choose laborers in the industrial sector and vocational college, as these can benefit from German aid to Vietnam. Germany has differed in its allocation of aid compared to EU aid to Vietnam. Grants fluctuated during the period 2014–2020. Grants sharply declined in number until 2013 but it rebounded in 2014. In 2015, Germany pledged Vietnam funding worth approximately 220 million over a period of two years.

Germany is one of Vietnam's principal trading partners in the EU. In 2016, bilateral trade reached nearly €10 million. Therefore, the EVFTA will open new opportunities for both sides. Germany should expand its aid allocation to support the implementation of the EVFTA process.

Table 2 German ODA disbursements 2007-2014 to Vietnam (in million €)

	2009	2010	2011	2012	2013	2014
Grants	27.8	4.0	5.6	2.9	3.1	24.2
Loans	19.7	15.3	15.4	21.6	48.3	87.3
Total	47.5	19.3	21.0	24.5	51.4	111.5
% Grants	58.53	20.73	26.67	11.84	6.03	21.70

Source: The Blue Book (2015, p. 45)

Figure 9 German ODA by sectors to Vietnam

Source: The Blue Book (2015, p. 45)

4.3.4.3. French ODA to Vietnam

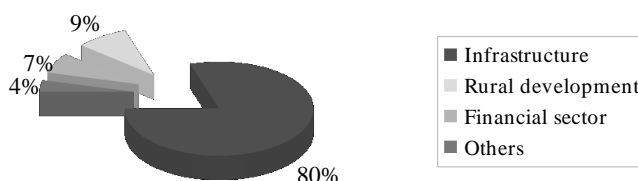
Vietnam was part of the French empire in the years between 1887 and 1940. France and Vietnam have long-standing ties. France was one of the first Western countries to support Vietnam's policy of renewal and has been supporting its commitment to international trade for over 20 years. Regarding development assistance, France is a leading European donor for Vietnam. France is the second largest historical bilateral donor for Vietnam, just behind Japan, with €1.5 billion in cumulative aid since 1993.

The French Development Agency (AFD) has the main role of financing and monitoring French aid to Vietnam. Present in Vietnam since 1994, AFD has funded 79 projects. Starting with its aid for rural development, AFD's support for Vietnam expanded to infrastructure development in the sectors of energy, transport, clean water and drainage (see Figure 10). In 2014, AFD pledged €89.3 million to Vietnam. Of these funds, €69 million went to the urban railway project in Ha Noi. In addition, €20 million was pledged for a support program to respond to climate change which aimed to include climate change adaptation to development policies for Vietnam. Complementing this support, AFD provides financing either to banks and financial institutions, including microfinance institutions, or via functional budget support (financial sector reform, small and medium enterprises development). The aim is to scale up financing for these actors, and to modernize their management and adapt to

Table 3 French ODA disbursements 2007-2014 to Vietnam (in million €)

	2009	2010	2011	2012	2013	2014
Grants	39.5	2.39	9.1	6.8	7.7	5.8
Loans	168.5	179.32	159.0	114.1	139.4	131.6
Total	208.0	186.7	168.1	120.9	147.1	137.4
% Grants	19.0	4.0	5.4	5.6	5.2	4.2

Source: The Blue Book (2015, p. 43)

Figure 10 French ODA by sectors to Vietnam

Source: European Commission (2015, p. 43)

international norms (compliance with prudential rules, social and environment protection, anti-money laundering and combating the financing of terrorism).

EU member states have their own policies and organizations for implementing aid projects in Vietnam. The differences in historical relations and capacity could be factors influencing the changes of their aid allocations/deliveries or priorities with regard to this recipient. Hungary, as a smaller economy, thus concentrated only on enhancing Vietnamese human resources with quite small aid amounts. Germany and France funded varieties of sectors in which France provided concessional loans to improve Vietnamese infrastructure, while Germany channeled its aid to expand Vietnamese energy capacity. These aid projects can be considered AfT, but it is hard to recognize their AfT volumes. Europeanization is evidenced in the three states in choosing Vietnam as a strategic partner of development cooperation and helping Vietnam to integrate into the global market (reform economic structure, support to private sector and SMEs). The common voice of the EU and these three member states can support the transfer of their normative values of democracy and human rights and sustainable development (environment protection, green energy etc.) in many aid projects to Vietnam. Combining EU aid and the aid from EU member states can lead to positive impacts for Vietnamese economic growth and increasingly close relations between the EU and Vietnam. The results of their assistance are also opening up new opportunities for the benefit of their mutual trade as the connection between EU-MUTRAP and the progress of EVFTA has displayed.

5. Conclusion

Europeanization aims to explain the interactions among the EU and its member states. The Europeanization of AfT is still lacking in research, however, there is some research that mentions the case of EU AfT to Vietnam and includes an evaluation of EU AfT to Vietnam in general and in the specific EU member states.

The EU creates AfT projects to support and to change Vietnam's trade circumstances such as the relations between EU-MUTRAP and EVFTA demonstrate. EU AfT supports many related activities to inform EVFTA discussion, promote EVFTA rounds, and to reach conclusions. It can be seen that these activities are directed towards influencing the EVFTA process. Moreover, enhancing Vietnamese trade capacity can be seen as the biggest contribution of EU-MUTRAP by successfully impacting on trade-related human resources (Vietnamese elites and other actors). EU AfT projects have implemented the effective methods of decentralized aid project management and coordination mechanisms, using local experts, cost cutting, evaluation reports, research and publications that can attract and diversify actors from both sides to jointly monitor EU AfT in Vietnam. As a result, it is not only helpful for projects to Vietnam but can also serve as a role-model for EU member states in running their own aid projects in Vietnam.

The EU has an AfT strategy and common AfT funds to use in development cooperation. EU AfT "soft law" aims to influence and evaluate the contribution of EU member states.

In the case of AfT to Vietnam, three EU member states follow their own interests and purposes in providing aid projects/programs. However, they involve the common values of aid policies of the EU in some manner. In summary, the EU's ongoing contributions support effective relations with Vietnam.

However, weaknesses in the connection of EU AfT in Vietnam include the lack of funding and supervision for sub-projects, and the weak exchange of information among stakeholders. Therefore, both sides should focus on tightening criteria for the selection of project beneficiaries, strengthening activities in the business community and improving the diversification of implementation methods. Recently, the EU has been faced with rising skepticism towards harmonization among EU member states after Brexit. Consequently, EU AfT can expect new challenges in implementing underlying EU policies. Finally, the concept of Europeanization in AfT requires more research, especially for this new period of uncertainty in the EU.

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